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**ANNUAL
REPORT
1963**

THE
OGILVIE
FLOUR
MILLS
COMPANY
LIMITED

*Si vous désirez un exemplaire de
ce rapport, édition française,
veuillez écrire à
The Ogilvie Flour Mills
Company, Limited,
Casier postal 6089, Montréal*

THE OGILVIE FLOUR MILLS COMPANY, LIMITED

Po Box 6089, Montréal

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DIRECTORS

ARTHUR ATKINS
L. J. BELNAP
PAUL BIENVENU
H. NORMAN DAVIS
F. H. DUNSFORD
G. ARNOLD HART
P. M. LAING, Q.C.
J. ARTHUR MATHEWSON, Q.C.*
J. W. TAIT, C.A.
A. MURRAY VAUGHAN

OFFICERS

J. ARTHUR MATHEWSON, Q.C.*
Chairman of the Board
ARTHUR ATKINS
President
J. W. TAIT, C.A.
Executive Vice-President
G. B. MACLEAN
Vice-President, Export
F. H. MOUNT
Vice-President, Marketing
A. J. C. WILLIS
Vice-President, Production
F. T. REA
Secretary
C. F. BROWN, C.A.
Treasurer
R. R. MACDOUGALL, F.C.I.S.
Assistant Secretary-Treasurer

J. F. BLAKNEY
General Manager, Western Division
B. F. GRANT, R.I.A.
Comptroller
J. A. MITCHELL
Western Grain Manager
W. LEE
Chief Accountant, Western Division

TRANSFER COMPANY

THE ROYAL TRUST COMPANY
Montreal, Toronto & Winnipeg

REGISTRAR

MONTREAL TRUST COMPANY
Montreal, Toronto & Winnipeg

DIVISION AND DEPARTMENT MANAGERS

HEAD OFFICE

W. BUSHUK, Ph.D.
Director of Research
JAS. HESS
Export Manager
A. J. SCOTT
Manager Feeds Division
H. K. ROBERTSON
Executive Assistant Special
Projects
D. R. KENNEDY
Purchasing Agent
P. E. KELLEY
Sales Promotion Manager
R. W. HARDIE
General Traffic Manager
K. M. ARMSTRONG
Manager Product Development

PLANT MANAGERS

A. PANTER
Montreal
D. I. C. MACLEAN
Winnipeg
E. WARR
Keewatin
G. H. FRIGHT
Medicine Hat
G. L. MCARTHUR
Edmonton

STARCH AND CHEMICAL DIVISION

G. J. DUNNE
General Manager
A. S. MILLS
Sales Manager
T. W. ROBERTS
Plant Manager Fort William
J. BEREZNY
Plant Manager Montreal

*Deceased

SALES DIVISION

M. J. MCGRATH
General Sales Manager,
Grocery Products
W. R. DUFF
General Sales Manager,
Bulk Products

Quebec

G. H. TRUDEAU
Sales Manager, Bulk Products
R. VIAU
Sales Manager, Grocery Products

Ontario

W. H. MYLKS
Sales Manager, Bulk Products
E. J. MOLLARD
Sales Manager, Grocery Products

Alberta-British Columbia

J. W. MCJANNET
General Sales Manager
E. H. WERLE
Sales Manager, Grocery Products

Manitoba-Saskatchewan

E. E. WILLIAMS
General Sales Manager
J. WATSON
Sales Manager, Grocery Products

Maritimes

D. G. BROWN
Sales Manager

THE YEAR IN BRIEF

	1963	1962	Increase (Decrease)
Earnings from Operations	* 2,459	* 2,466	(7)
Investment Income	863	917	(54)
Income Taxes	1,232	1,312	(80)
Net Earnings	2,090	2,071	19
Profit from sale of Investments and Fixed Assets	617	469	148
Dividends	1,934	1,934	—
Working Capital	14,389	14,645	(256)
Investment in Subsidiaries	8,439	8,593	(154)
Net Investment in Fixed Assets	11,557	10,728	829
Other Assets	1,436	1,345	91
Funded Debt	200	600	(400)
*In thousands of dollars.			
Income per Common Share**	\$0.86	\$0.80	\$0.06
Income per Common Share, excluding** profit on sale of securities and fixed assets	.65	.65	—
Dividends per Common Share**	.60	.60	—

**Adjusted for four-for-one split effected Jan. 11, 1963.

DIRECTORS' REPORT TO THE SHAREHOLDERS

EARNINGS

Consolidated net income amounted to \$2,090,021 exclusive of profit on sales of investments and fixed assets, compared to \$2,070,611 last year. This represents 65¢ per share on the subdivided common stock.

Your Company's share of the net income of non-consolidated subsidiary companies amounted to \$504,000. As the amount of dividends received from them and included in the above net income figures was \$343,000 the difference of \$161,000 was retained by these subsidiary companies and represents a further earning of 5¢ per Ogilvie common share.

Profit on sale of investments (\$534,000) and fixed assets (\$83,000) which is not included in the above figures, amounted to \$617,000.

OPERATIONS

Earnings from operations again showed an increase, mainly because higher millfeed prices prevailed throughout most of the year. Domestic flour sales were lower as a result of heavy buying by customers at the end of the previous year.

Export volume also suffered. Once again Canadian flour exports declined by almost 14% as against a year ago, largely as a result of the opening of new mills in Nigeria and the Philippines and reduced purchases by the Canadian Government for foreign relief.

Earnings of the Starch and Chemical Division were adversely affected by a sharp drop in the price of monosodium glutamate. However, volume and profits in other products of the Division improved and reasonable earnings were achieved.

The Poultry Products Division at Edmonton, acquired at the end of our last fiscal year, has not yet become profitable but the operation is improving and has assisted in the development of our feed business in Alberta.

Feed Division Sales held up well and the Division contributed its share of the profits.

Operating earnings of Non-Consolidated Subsidiary companies were again slightly lower due to unsatisfactory operations of bakery affiliates. Catelli Food Products, our largest subsidiary in this category, achieved new records in sales and an improvement in profits.

FINANCIAL

Net Capital Expenditures for the year amounted to \$1,650,000. Major expenditures were for the assets of Edmonton Produce (1962) Limited, the new Research buildings at Montreal and Iberville and the new flour unit at Winnipeg. The latter unit will be capable of producing 3500 cwt. of flour per day.

Depreciation written off on buildings and machinery amounted to \$822,000.

Debentures of the Company and subsidiary companies were retired to the extent of \$375,000.

Working Capital decreased by \$256,000 and now stands at \$14,389,000, not including the difference between book value and quoted market value of marketable securities.

The Company's preferred and common shares were subdivided four for one during the year and dividends declared on the common stock amounted to 60¢ per new share.

It is interesting to note that the number of shareholders increased during the year from approximately 3,650 to approximately 6,670.

OUTLOOK

Purchases of wheat and flour by Russia during the month of September have overshadowed all other developments in the flour milling industry this year. The purchase of 575,000 long tons of flour from Canadian mills for delivery between October 1963 and July 1964 will mean an increase in Canadian production of about 33% and the industry should operate at capacity during that period. Although all the large milling companies and many smaller ones are participating in this business, it is of interest to note that your company will mill over 30% of the total. This volume should provide full milling for all your mills, including the Lake of the Woods Mill at Medicine Hat,

which has been closed for seven years, and the new unit at Winnipeg which will come into production by the first of December.

Domestic flour volume in the coming year should improve and export business to normal markets should continue at about the level of the past year.

With all flour mills at capacity, a favourable operating year can be expected.

Our Feed Division expects high volume of sales. The number of hogs is expected to increase and broiler consumption should hold at present high levels.

The new Research Laboratory is nearing completion and we have expanded our staff in this important function.

PERSONNEL

Your Company has suffered a tragic loss in the sudden death of Mr. J. Arthur Mathewson who had been a member of your Board for twelve years and Chairman for the last two years. We grieve his passing and will miss his valued counsel.

It is a pleasure to pay tribute to the loyal and efficient services of the Company's Officers and Staff.

ARTHUR ATKINS
President

Montreal, Quebec, October 18th, 1963.

A FIVE YEAR COMPARISON

	1963	1962	1961	1960	1959	Years ended 31st August
Earnings from Operations	\$ 2,458,869	\$ 2,466,267	\$ 1,920,697	\$ 2,636,033	\$ 2,915,738	
Investment Income	863,384	917,041	1,159,053	1,010,312	639,012	
Provision for Income Taxes	1,232,232	1,312,697	1,036,229	1,337,263	1,496,224	
Net Income excluding Profit on Sale of Investments and Fixed Assets	2,090,021	2,070,611	2,043,521	2,248,578	1,953,526	
Profit on Sale of Investments and Fixed Assets	617,123	469,009	580,017	2,735,151	1,702,439	
* Income per share of Common excluding Profit on Sale of Investments and Fixed Assets	.65	.65	.64	.71	.61	
* Total Profit per share of Common	.86	.80	.83	1.62	1.18	
* Dividends per share of Common	.60	.60	.56	.56	.49	
Fixed Assets less Reserve for Depreciation	11,556,717	10,728,402	10,798,972	11,340,324	14,224,403	
Investment in Subsidiary Companies not consolidated	8,439,006	8,592,407	8,142,855	8,040,697	8,080,846	
Working Capital including Investments at market value	22,845,978	22,718,830	25,695,684	21,813,885	19,938,823	
Funded Debt	200,000	600,000	1,475,000	2,350,000	3,225,000	
Preferred Shares of Consolidated Subsidiary Company	Nil	Nil	Nil	Nil	1,500,000	

* Adjusted for four-for-one split effected January 11, 1963.

THE OGILVIE FLOUR MILLS COMPANY, LIMITED

BALANCE SHEET

AT 31ST AUGUST 1963 WITH COMPARATIVE FIGURES AT 31ST AUGUST 1962

CURRENT ASSETS	1963	1962
Cash	\$ 32,245	\$ 140,540
Accounts Receivable, less Reserve \$636,624	10,255,638	11,311,432
Accounts Receivable—Subsidiary Companies	378,222	388,199
Instalments on Mortgages re Sale of Elevators	—	573,280
Inventories (<i>Note 1</i>)	11,729,083	12,127,421
Investment in Marketable Securities, less Reserve	3,171,559	2,904,569
(Quoted Market value: 1963 \$11,628,000; 1962 \$10,978,000)		
TOTAL CURRENT ASSETS	25,566,747	27,445,441
CURRENT LIABILITIES		
Bank Loans—Secured	2,774,101	6,673,851
Notes Payable	3,880,000	—
Accounts Payable and Accrued Liabilities	3,119,458	4,162,316
Sinking Fund Payment due 1st September 1963	300,000	275,000
Provision for Income and Other Taxes, less payments on account	456,218	958,608
Dividends Payable	483,013	707,920
Amounts owing to Subsidiary Companies	164,420	22,347
TOTAL CURRENT LIABILITIES	11,177,210	12,800,042
WORKING CAPITAL	14,389,537	14,645,399
OTHER ASSETS		
Investment in Subsidiary Companies—not consolidated (<i>Note 2</i>)	8,439,006	8,592,407
Other Investments and Mortgages, less Reserve \$23,000	1,157,551	977,848
Prepaid Expenses	278,534	367,193
Fixed Assets (<i>Note 3</i>)	11,556,717	10,728,402
Goodwill, Trade Marks, Patent Rights, etc.	1	1
	35,821,346	35,311,250
FUNDED DEBT (<i>Note 4</i>)	200,000	600,000
INCOME TAX REDUCTIONS APPLICABLE TO FUTURE YEARS	601,813	316,672
	801,813	916,672
EXCESS OF ASSETS OVER LIABILITIES	\$35,019,533	\$34,394,578
SHAREHOLDERS' EQUITIES		
Preferred Stock (<i>Notes 5 and 6</i>)		
Authorized, Issued and Fully Paid—		
80,000 Seven Percent Cumulative Preferred Shares of \$25 each	2,000,000	2,000,000
Common Stock (<i>Notes 5 and 7</i>)		
Authorized—4,000,000 shares of No Par Value		
Issued —2,990,756 shares	6,930,670	
Surplus arising from consolidation, less amount applied against		
Goodwill	3,760,846	
Earnings retained for use in business		
Rest Account	5,000,000	
Earned Surplus as per statement attached	17,328,017	
	33,019,533	32,394,578
	\$35,019,533	\$34,394,578

Approved on behalf of the Board:

A. ATKINS }
L. J. BELNAP } *Directors*

Montreal, 18th October 1963.

AND CONSOLIDATED SUBSIDIARY COMPANIES

STATEMENT OF INCOME AND EXPENDITURE

FOR THE YEAR ENDED 31ST AUGUST 1963 WITH COMPARATIVE FIGURES FOR THE YEAR ENDED 31ST AUGUST 1962

	1963	1962
Earnings from Operations before deductions enumerated below	\$ 3,618,827	\$ 3,576,530
ADD:		
Investment Income (<i>Note 8</i>)	863,384	917,041
	<u>4,482,211</u>	<u>4,493,571</u>
DEDUCT:		
Depreciation on Buildings and Machinery	822,361	768,599
Debenture Interest	23,833	54,083
Legal Expenses	8,557	3,445
Remuneration of Executive Officers	281,527	261,944
Remuneration of Directors	23,680	22,192
	<u>1,159,958</u>	<u>1,110,263</u>
	3,322,253	3,383,308
Provision for Estimated Income Tax	<u>1,232,232</u>	<u>1,312,697</u>
Net Income for year before Profit on sale of Investments and Fixed Assets .	2,090,021	2,070,611
ADD:		
Net Profit on sale of Investments and Fixed Assets	617,123	469,009
Net Income for year carried to Statement of Earned Surplus	<u>\$ 2,707,144</u>	<u>\$ 2,539,620</u>

*Statement pursuant to Section 117, The Companies Act 1934:
The total remuneration received by Officers and Directors from the Subsidiary
Companies not consolidated, amounted to \$13,586 in 1963, and \$12,260 in 1962.*

STATEMENT OF EARNED SURPLUS

FOR THE YEAR ENDED 31ST AUGUST 1963

Balance at 31st August 1962		\$16,703,062
DEDUCT:		
Pension Fund and Pension Payments with respect to Past Service	\$ 305,735	
Less: Related Income Tax Credit	<u>157,799</u>	147,936
		16,555,126
ADD:		
Net Income for year as per Statement of Income and Expenditure		<u>2,707,144</u>
		19,262,270
DEDUCT DIVIDENDS:		
On Preferred Stock	139,800	
On Common Stock	<u>1,794,453</u>	1,934,253
Balance as per Balance Sheet		<u>\$17,328,017</u>

NOTES TO FINANCIAL STATEMENTS

Years ended 31st August

1963

1962

NOTE 1—INVENTORIES

Stocks of Wheat and Coarse Grains (including purchases for account of the Canadian Wheat Board), Flour, Feeds, Cereals, Bags, etc., as determined and certified by responsible officials of the Company and valued at the lower of Cost or Market, less Reserve \$646,586.

NOTE 2—INVESTMENT IN SUBSIDIARY COMPANIES—NOT CONSOLIDATED

Shares, less Reserve (including shares with book value \$534,827; quoted Market Value \$741,000)	\$ 8,097,892	\$ 7,770,606
Amounts owing, less Reserve	341,114	821,801

*The corresponding values, as shown by the most recent annual accounts of the Subsidiary Companies, less intangible assets amounted to \$8,302,627.

	<u>\$ 8,439,006</u>	<u>\$ 8,592,407</u>
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NOTE 3—FIXED ASSETS

The Ogilvie Flour Mills Company, Limited

Land, Water Power, Buildings, Machinery and Equipment at predecessor Company's net book value of 1924, with additions at cost. Motor Trucks and Automobiles at cost, less reserve for depreciation	22,005,006	20,357,756
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Subsidiary Companies

Land, Water Power, Buildings, Machinery and Equipment at cost. Motor Trucks and Automobiles at cost, less reserve for depreciation	6,631,399	6,689,051
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	28,636,405	27,046,807
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	17,079,688	16,318,405
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	<u>\$11,556,717</u>	<u>\$10,728,402</u>
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Less reserve for depreciation

NOTE 4—FUNDED DEBT

The Ogilvie Flour Mills Company, Limited

Sinking Fund Debentures

Series "D" 3½% due 1st September 1963	\$300,000	
Less Sinking Fund payment included with current liabilities	\$300,000	300,000

—

Subsidiary Company

5% Sinking Fund Debentures due 1st May 1964, unconditionally guaranteed by The Ogilvie Flour Mills Company, Limited	200,000	300,000
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	<u>\$ 200,000</u>	<u>\$ 600,000</u>
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NOTE 5—SUBDIVISION OF CAPITAL STOCK

Subsequent to 31st August 1962 the Capital Stock of the Company was subdivided as follows:

Each of the issued and outstanding Preferred Shares were subdivided into four (4) seven percent Cumulative Preferred Shares of the par value of twenty-five dollars (\$25).

Each of the issued and outstanding Common Shares were subdivided into four (4) Common Shares without nominal or par value and seven hundred and fifty-six thousand, nine hundred and thirty-three (756,933) additional Common Shares without nominal or par value were created.

NOTE 6—PREFERRED STOCK

Notices, dated 30th August 1963, were forwarded to the Common Stock and Preferred Stock shareholders calling special general meetings for each class of shareholders for the purpose of considering and, if deemed fit, of agreeing to a Proposal of Compromise or Arrangement dated 29th March 1963 whereby, if agreed upon by the shareholders of each class of stock and subject to the obtaining of Supplementary Letters Patent, the Company may from time to time, with the consent of the holders thereof respectively, purchase for cancellation all or any of the Preferred Shares in the market or by tender at the lowest price or prices at which, in the opinion of the Board of Directors of the Company, such shares are obtainable.

NOTES TO FINANCIAL STATEMENTS

Years ended 31st August

1963

1962

NOTE 7—CAPITAL STOCK OPTIONS

(after adjusting shares and prices, where applicable, to give effect to the subdivision of shares in 1963)

Of the authorized and unissued Common Shares, 160,000 shares are reserved under a stock option plan for officers and employees of the Company. In accordance with the plan there were 56,000 shares under option at 31st August 1963 at \$11.925 per share, of which options for 6,000 shares were granted during the year. The market prices of the stock on the dates of granting of the options were, as to 42,000 shares \$13.25 per share, as to 8,000 shares \$12.25 per share, and as to 6,000 shares \$13.125 per share. The options extend for a period of ten years on the condition that the same may not be exercised until twelve months after the granting of the options and thereafter may be exercised only to the extent of 25% of the shares affected thereby in each of the four consecutive twelve months periods, except that if the holder of any option shall in any such twelve months period fail to exercise his option in respect of all the shares which he is entitled to take up during such period he may, in addition, exercise his option in respect of the balance of the shares which he might have taken up during such twelve months period at any time thereafter prior to the expiry of the option.

NOTE 8—INVESTMENT INCOME

Income from Marketable Securities, Other Investments and Mortgages	\$519,607	\$555,075
The Company's share of the aggregate earnings less losses of non-consolidated Subsidiary Companies was as follows: 1963 \$504,172, 1962 \$548,202 (including loss on Investments and Capital Assets 1963 \$1,744, 1962 \$5,353.)		
Dividends from non-consolidated Subsidiary Companies	343,777	361,966
	<u>\$863,384</u>	<u>\$917,041</u>

SOURCE AND APPLICATION OF FUNDS

FUNDS WERE OBTAINED FROM:

Income before depreciation, after adjustments	\$ 3,666,710
Decrease in Investment in Subsidiary Companies	153,401
Decrease in Prepaid Expenses	88,659
	<u>3,908,770</u>

FUNDS WERE USED TO:

Reduce Debentures after provision for Sinking Fund	400,000
Pay dividends to shareholders	1,934,253
Increase investment in other investments and mortgages	179,703
Increase net investment in fixed assets	1,650,676
	<u>4,164,632</u>

Decrease in Working Capital	<u>\$ 255,862</u>
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AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders,
The Ogilvie Flour Mills Company, Limited

We have examined the Consolidated Balance Sheet of The Ogilvie Flour Mills Company, Limited and Consolidated Subsidiary Companies as at 31st August 1963 and the related Statements of Income and Expenditure and Surplus for the year ended on that date and have obtained all the information and explanations which we have required. With the exception of one Subsidiary Company, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have received financial statements and auditors' report in respect of the subsidiary company whose accounting records were not examined by us.

In our opinion, based on such examination, the accompanying Consolidated Balance Sheet and the related Statement of Income and Expenditure and Surplus, supplemented by the appended notes, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company and its Consolidated Subsidiary Companies at 31st August 1963 and the results of their operations for the year ended on that date, according to the best of our information, the explanations given to us and as shown by the books of the Companies examined by us and the audited statements furnished to us.

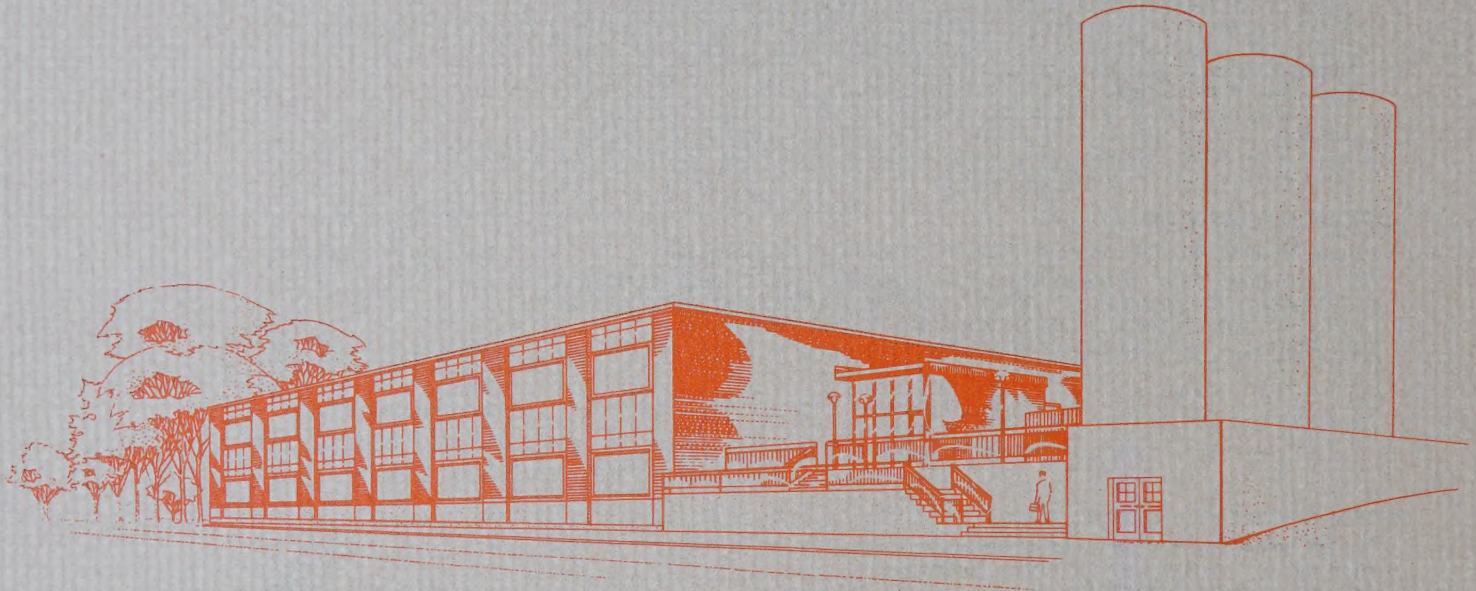
In accordance with Section 118 of The Companies Act, 1934, we report that the dividends received from Subsidiary Companies not consolidated did not exceed the aggregate profits less losses for the year of the Subsidiary Companies not consolidated.

CREAK, CUSHING & HODGSON

Montreal, 18th October, 1963.

Chartered Accountants.

Architect's sketch of the new Ogilvie Research Center built on the site of the original Royal Mill built in 1877.



RESEARCH: KEY TO PROGRESS

To keep pace with your Company's rapid growth and its many development programs, a new Research Center is now being completed which will double the capacity of present facilities.

It will contain a modern laboratory with advanced equipment and facilities for new product development, the continuing study of cereals, protein, starch, bacteriology, the milling and baking qualities of Canadian wheat, and "Miracle" Feed product research.

The new center will also house expanded facilities for the famous Five Roses Kitchens.

Its construction represents a tangible example of your Company's determination to maintain and improve its position as Canada's foremost milling company.

